

HOUSE BILL NO. 578

INTRODUCED BY T. CALLAHAN, CHRISTIAENS, GALVIN-HALCRO, GOLIE, JERGESON, LASLOVICH,
LEHMAN, MANGAN, MCKENNEY, PATTISON, RIPLEY, SCHMIDT, B. THOMAS, TRAMELLI,
J. WHITAKER, WITT

A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE TAX INCENTIVE OF 30 CENTS A GALLON
FOR PRODUCTION OF ALCOHOL; REVISING THE TIME PERIOD FOR SUBMITTING A WRITTEN PLAN TO
THE DEPARTMENT OF TRANSPORTATION; AMENDING SECTION 15-70-522, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-70-522, MCA, is amended to read:

**"15-70-522. Tax incentive for production of alcohol -- written plan required -- reservation of
incentives -- rules.** (1) (a) If the alcohol was produced in Montana from Montana agricultural products,
including Montana wood or wood products, or if the alcohol was produced from non-Montana agricultural
products when Montana products are not available, there is a tax incentive payable to alcohol distributors
for distilling alcohol that:

(i) was blended with gasoline for sale as gasohol in Montana;

(ii) was exported from Montana and has been blended with gasoline for sale as gasohol; or

(iii) was used in the production of ethyl butyl ether for use in reformulated gasoline.

(b) Payment must be made by the department out of the amount collected under 15-70-204.

(2) Except as provided in subsections (3) and (4), the tax incentive on each gallon of alcohol
distilled in accordance with subsection (1) is 30 cents ~~per~~ a gallon for each gallon that is 100% produced
from Montana products, with the amount of the tax incentive ~~per~~ for each gallon reduced proportionately,
based upon the amount of agricultural or wood products not produced in Montana that is used in the
production of the alcohol, ~~and beginning~~ Beginning July 1, ~~2005~~ 2010, there is no tax incentive.

(3) Regardless of the alcohol tax incentive provided in subsection (2), the total payments made
for the incentive under this part may not exceed \$6 million in any consecutive 12-month period.

(4) An alcohol distributor may not receive tax incentive payments under subsection (2) that exceed
\$3 million in any consecutive 12-month period.

(5) An alcohol distributor ~~who begins production after July 1, 1991,~~ may not receive tax incentive payments under subsection (2) unless the distributor has provided a written plan to the department of transportation at least ~~18~~ 24 months before the distributor's anticipated collection of the tax incentives.

The plan must contain the following information:

(a) the source or sources of financing for the acquisition of the plant, land, and equipment used for the production of gasohol;

(b) the anticipated source of agricultural products used in the production of gasohol; and

(c) the anticipated time, quantity, and duration of production of gasohol.

~~(6) An alcohol distributor in production before July 1, 1991, is entitled to apply for the maximum tax incentive payment allowed under subsection (4) without providing a written plan as required in subsection (5).~~

~~(7)(6)~~ (a) Except as provided in subsection ~~(7)(b)~~ (6)(b), the department shall reserve, in the order that written plans required under subsection (5) are received by the department, alcohol tax incentives based on the anticipated time, quantity, and duration of production. Payment of the alcohol tax incentives must be based on actual production.

(b) No later than 1 year after the written plan is received under subsection (5), the department shall determine whether an alcohol distributor is complying with the written plan. The department may reduce or cancel the reservation of the tax incentive provided in this subsection ~~(7)~~ (6) if the department determines that the alcohol distributor has not materially complied with the written plan.

~~(8)(7)~~ A new tax incentive payment may not be made if the total tax incentive established in subsection (3) has been reserved or paid. If an alcohol tax incentive has been reduced or canceled, the amount by which the tax incentive has been reduced or canceled is available for reservation as provided in subsection ~~(7)(a)~~ (6)(a).

~~(9)(8)~~ The department shall prescribe rules necessary to carry out the provisions of this section."

NEW SECTION. SECTION 2. SAVING CLAUSE. [THIS ACT] DOES NOT AFFECT RIGHTS AND DUTIES THAT MATURED, PENALTIES THAT WERE INCURRED, OR PROCEEDINGS THAT WERE BEGUN BEFORE [THE EFFECTIVE DATE OF THIS ACT].

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